Clover

Company Information

BOARD OF DIRECTORS

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	Chief Executive
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
A. Aziz Ebrahim	
Shahid Ahmed Khan	
M. A. Qadir	

ADVISOR
Sultan Ali Lakhani

COMPANY SECRETARY
Mansoor Ahmed

AUDIT COMMITTEE

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
M. A. Qadir	

AUDITORS
FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

REGISTERED OFFICE
Lakson Square, Building No. 2
Sarwar Shaheed Road
Karachi-74200

FACTORY
B-182, Hub Industrial Trading Estate
Hub, District Lasbella
Baluchistan

WEBSITE
www.clover.com.pk

E-MAIL
clover@clover.com.pk

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FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Progressive Plaza
Beaumont Road
P.O. Box 15541
Karachi 75530
Pakistan

Phone : (92-21) 565-0007-11
Fax : (92-21) 568 1965
E-mail : frsh.khi@pk.ey.com
Office at : Lahore & Islamabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Clover Pakistan Limited (the Company) as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ford Rhodes Sidat Hyder & Co.

KARACHI: August 17, 2007

CHARTERED ACCOUNTANTS

A Member of Ernst & Young International

Balance Sheet as at June 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	**59,498,207**	58,030,926
Long-term loans	4	**2,062,800**	2,059,821
Long-term security deposits		**182,400**	444,175
		61,743,407	60,534,922
CURRENT ASSETS			
Stores		**266,348**	311,397
Stock-in-trade	5	**104,875,172**	105,753,088
Trade debts	6	**36,199,505**	35,667,812
Loans and advances	7	**3,975,073**	9,132,636
Trade deposits and short term prepayments	8	**1,349,592**	1,762,015
Interest accrued on short term investment		**308,753**	95,894
Other receivables	9	**2,280,610**	540,776
Short term investments	10	**271,247,135**	25,000,000
Cash and bank balances	11	**92,453,121**	230,638,363
		512,955,309	408,901,981
TOTAL ASSETS		**574,698,716**	469,436,903
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital 10,000,000 (2006: 10,000,000) Ordinary shares of Rs. 10/- each		**100,000,000**	100,000,000
Issued, subscribed and paid-up capital	12	**65,520,000**	54,600,000
Reserves	13	**251,499,140**	201,709,929
		317,019,140	256,309,929
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		**-**	141,810
Long term deposits	14	**2,207,000**	2,132,000
Deferred taxation	15	**1,843,518**	4,000,000
		4,050,518	6,273,810
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease		**-**	177,760
Trade and other payables	16	**232,160,253**	192,756,882
Mark up accrued		**181,984**	9,126
Sales tax payable		**14,848,226**	10,183,000
Income tax - net		**6,438,595**	3,726,396
		253,629,058	206,853,164
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		**574,698,716**	469,436,903

The annexed notes from 1 to 35 form an integral part of these financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Profit and Loss Account for the year ended June 30, 2007

	Note	**2007 Rupees**	2006 Rupees
Gross turnover	18	**1,159,043,036**	943,097,264
Sales tax		**(169,022,073)**	(139,482,672)
Trade discount and allowances		**(77,512,689)**	(54,251,965)
Net turnover		**912,508,274**	749,362,627
Cost of sales	19	**(541,205,188)**	(439,260,887)
Gross profit		**371,303,086**	310,101,740
Distribution and marketing expenses	20	**(217,618,283)**	(168,895,632)
Administrative expenses	21	**(17,088,379)**	(14,232,659)
Other operating expenses	22	**(10,071,069)**	(9,014,244)
Other operating income	23	**8,220,105**	8,953,227
Operating profit		**134,745,460**	126,912,432
Finance cost	24	**(2,352,384)**	(1,576,880)
Profit before taxation		**132,393,076**	125,335,552
Taxation	25	**(45,018,585)**	(44,686,529)
Profit after taxation		**87,374,491**	80,649,023
Earnings per share – basic and diluted (Prior year restated) Rupees	26	**13.34**	12.31

The annexed notes from 1 to 35 form an integral part of these financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Cash Flow Statement for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	**193,518,823**	169,224,721
Taxes paid		**(44,462,868)**	(45,327,787)
Financial charges paid		**(2,179,526)**	(2,012,809)
Long term loans		**(2,979)**	(945,329)
Net cash inflow from operating activities		**146,873,450**	120,938,796
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		**(10,264,683)**	(32,899,041)
Payments in relation to capital work-in-progress		**(3,232,116)**	–
Proceeds from disposal of property, plant and equipment		**1,076,000**	5,885,526
Purchase of available for sale investment		**(255,000,000)**	–
Proceeds from redemption of available for sale investments		**15,000,000**	–
Long term deposits		**261,775**	202,700
Net cash outflow from investing activities		**(252,159,024)**	(26,810,815)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		**(319,570)**	(386,339)
Long term deposits		**75,000**	(235,000)
Dividends paid		**(32,655,098)**	(35,490,000)
Net cash outflow from financing activities		**(32,899,668)**	(36,111,339)
Net (decrease)/increase in cash and cash equivalents		**(138,185,242)**	58,016,642
Cash and cash equivalents at the beginning of the year		**255,638,363**	197,621,721
Cash and cash equivalents at the end of the year		**117,453,121**	255,638,363
CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	**92,453,121**	230,638,363
Short term investment	10	**25,000,000**	25,000,000
		117,453,121	255,638,363

The annexed notes from 1 to 35 form an integral part of these financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Statement of Changes in Equity for the year ended June 30, 2007

	Issued subscribed and paid-up capital	RESERVES: Revenue Reserves: General Reserves	RESERVES: Unrealized gain on available for sale investments	RESERVES: Revenue Reserves: Unappro-priated profit	RESERVES: Sub Total	Total
	(Rupees)					
Balance as at June 30, 2005	54,600,000	85,000,000	–	71,550,906	156,550,906	211,150,906
Final dividend for the year ended June 30, 2005 (Rs. 6.50 per share)	–	–	–	(35,490,000)	(35,490,000)	(35,490,000)
Transfer to general reserve	–	36,000,000	–	(36,000,000)	–	–
Profit after taxation for the year ended June 30, 2006	–	–	–	80,649,023	80,649,023	80,649,023
Balance as at June 30, 2006	54,600,000	121,000,000	–	80,709,929	201,709,929	256,309,929
Final dividend for the year ended June 30, 2006 (Rs. 6.00 per share)	–	–	–	(32,760,000)	(32,760,000)	(32,760,000)
Bonus shares issued during the year in the ratio of 1 share for every 5 shares held	10,920,000	–	–	(10,920,000)	(10,920,000)	–
Transfer to general reserves	–	37,000,000	–	(37,000,000)	–	–
Net effect of revalutaion of available for sale-investments to fair value as at the year end	–	–	6,094,720	–	6,094,720	6,094,720
Profit after taxation for the year ended June 30, 2007	–	–	–	87,374,491	87,374,491	87,374,491
Balance as at June 30, 2007	**65,520,000**	**158,000,000**	**6,094,720**	**87,404,420**	**251,499,140**	**317,019,140**

The annexed notes from 1 to 35 form an integral part of these financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Notes to the Financial Statements for the year ended June 30, 2007

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on September 30, 1986 as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi.

The principal business of the Company is manufacture and sale of food and plastic products and trading in food and personal care products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirement of the ordinance and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS - 1 Presentation of Financial Statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS - 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS - 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS - 2 Share Based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS - 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS - 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet affective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

Notes to the Financial Statements for the year ended June 30, 2007

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for available-for-sale investments that have been measured at fair value.

2.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Staff retirement benefits

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to long term nature of these plans, such estimates are subject to significant uncertainty. Significant actuarial assumptions have been disclosed in Note 16.4 to the financial statements.

Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements for the year ended June 30, 2007

2.4 Fixed assets and depreciation

Property, plant and equipment

Operating property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and impairment, if any. Freehold land, leasehold land and capital work-in-progress are stated at cost.

Depreciation is charged to income using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in Note 3.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month the respective asset was in use. Assets residual values and useful lives are reviewed, and adjusted, if appropriate annually.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements if any are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

2.5 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

2.6 Investments

Financial assets in the scope of IAS 39, 'Financial Instruments: Recognition and Measurement' are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and those designated as such are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on remeasurement of such investments are recognized in profit and loss account.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. After initial measurement, these investments are measured at amortised cost.

Available for sale investments

Available for sale investments are investments that are designated as available for sale or are not classified in any of the other categories. After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses being recognised directly in equity. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in profit and loss account.

Fair value of financial instruments

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuations techniques.

2.7 Stores

Stores are valued at lower of moving average cost and net realizable value.

2.8 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw, packing and promotional material	–	at moving average cost
Raw and packing material in bonded warehouse	–	at invoice value plus other charges paid thereon
Work-in-process and finished goods	–	at cost of material as above plus proportionate production overheads
Trading goods	–	at cost on first-in-first-out basis
Stock in transit	–	at invoice value plus other charges paid thereon

Net realizable value represents estimated selling prices in the ordinary course of business less cost necessary to be incurred to make the sale.

2.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at each quarter end. Balances considered bad and irrecoverable are written off when identified.

2.10 Accounting for leases

2.10.1 Finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased assets, are capitalized at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Depreciation is charged at rates used for similar assets, so as to depreciate the assets over their estimated useful life in view of ownership of the assets at the end of the lease term.

2.10.2 Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the period of the lease.

2.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks, cheques in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Staff retirement benefits

a) Defined benefit plan

The Company operates an approved defined funded gratuity scheme for all its permanent employees. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at June 30, 2007 using the Projected Unit Credit Method. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the schemes. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of present value of defined benefit obligation and fair value of plan asset. These gains or losses are recognized over the future expected remaining working lifes of employees.

b) Defined contribution plan

A recognized provident fund scheme is in operation, which covers all permanent employees. The Company and the employees make equal contributions at the rate of 9% of the basic salary plus cost of living allowance. Contribution of the Company is charged to income for the year.

2.13 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

Notes to the Financial Statements for the year ended June 30, 2007

2.14 Taxation

Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on sales.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available agaisnt which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

2.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.17 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Notes to the Financial Statements for the year ended June 30, 2007

2.18 Financial instruments

Financial instruments carried on the balance sheet include investments, loans, deposits, trade debts, cash and cash equivalents, liabilities against assets subject to finance lease, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

2.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Borrowings costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.21 Revenue recognition

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which generally coincides with dispatch of goods to customers.

Interest income is recognized on accrual basis.

Dividend income is recognized when the right to receive the same is established.

2.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

2.23 Transaction with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Ordinance.

2.24 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income.

Notes to the Financial Statements for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
3. FIXED ASSETS - Property, plant and equipment			
Operating property, plant and equipment	3.1	**56,266,091**	58,030,926
Capital work in progress	3.4	**3,232,116**	–
		59,498,207	58,030,926

3.1 Operating property, plant and equipment

		2 0 0 7							
		COST			DEPRECIATION				
Description	**Note**	**July 01, 2006**	**Additions/ (disposals)/ *transfer**	**June 30, 2007**	**July 01, 2006**	**For the year (disposals)/ *transfer**	**June 30, 2007**	**Book Value at June 30, 2007**	**Dep. Rate % per annum**
					(Rupees)				
Owned									
Freehold land		1,636,307	-	1,636,307	-	-	-	1,636,307	-
Leasehold land	(3.2)	4,913,666	-	4,913,666	-	-	-	4,913,666	-
Building on leasehold land	(3.2)	20,102,825	-	20,102,825	11,174,928	938,745	12,113,673	7,989,152	5
Office premises		1,203,197	-	1,203,197	833,840	184,728	1,018,568	184,629	15
Plant and machinery		64,047,914	75,500 - *712,500	64,835,914	32,771,966	4,225,800 - *351,797	37,349,563	27,486,351	10
Furniture and fittings		5,144,831	211,315	5,356,146	4,096,504	392,217	4,488,721	867,425	15
Office equipment		1,425,194	44,804 *164,000	1,633,998	870,667	239,041 *95,682	1,205,390	428,608	15
Tools and equipment		1,034,786	277,067	1,311,853	884,217	45,189	929,406	382,447	15
Vehicles		16,480,118	8,978,500 (1,456,380)	24,002,238	8,465,098	4,749,110 (776,401)	12,437,807	11,564,431	25
Computer and data processing equipment		3,177,174	677,497	3,854,671	2,556,107	485,489	3,041,596	813,075	33
Total - Owned assets		119,166,012	10,264,683 (1,456,380) *876,500	128,850,815	61,653,327	11,260,319 (776,401) *447,479	72,584,724	56,266,091	
Leased assets									
Plant and machinery		876,500	- - *(876,500)	-	358,259	89,220 - *(447,479)	-	-	10
2007		**120,042,512**	**10,264,683 (1,456,380) -**	**128,850,815**	**62,011,586**	**11,349,539 (776,401) -**	**72,584,724**	**56,266,091**	

Notes to the Financial Statements for the year ended June 30, 2007

Description	Note	COST July 01, 2005	COST Additions/ (disposals)/ *transfer	COST June 30, 2006	DEPRECIATION July 01, 2005	DEPRECIATION For the year (disposals)/ *transfer	DEPRECIATION June 30, 2006	Book Value at June 30, 2006	Dep. Rate % per annum
		2 0 0 6			(Rupees)				
Owned									
Freehold land		1,636,307	-	1,636,307	-	-	-	1,636,307	-
Leasehold land	(3.2)	1,512,016	3,401,650	4,913,666	-	-	-	4,913,666	-
Building on leasehold land	(3.2)	16,874,064	3,228,761	20,102,825	10,263,089	911,839	11,174,928	8,927,897	5
Office premises		1,203,197	-	1,203,197	649,112	184,728	833,840	369,357	15
Plant and machinery		46,528,399	22,677,768 (5,913,253) *755,000	64,047,914	32,078,538	2,251,322 (1,900,098) *342,204	32,771,966	31,275,948	10
Furniture and fittings		4,979,161	165,670	5,144,831	3,717,896	378,608	4,096,504	1,048,327	15
Office equipment		1,091,039	334,155	1,425,194	660,606	210,061	870,667	554,527	15
Tools and equipment		913,286	121,500	1,034,786	853,765	30,452	884,217	150,569	15
Vehicles		13,759,542	4,227,700 (1,507,124)	16,480,118	5,241,557	3,753,172 (529,631)	8,465,098	8,015,020	25
Computer and data processing equipment		2,679,549	601,130 (103,505)	3,177,174	1,859,638	730,626 (34,157)	2,556,107	621,067	33
Total - Owned assets		91,176,560	34,758,334 (1,610,629) *755,000 (5,913,253)	119,166,012	55,324,201	8,450,808 (563,788) *342,204 (1,900,098)	61,653,327	57,512,685	
Leased assets									
Plant, machinery		1,631,500	– *(755,000)	876,500	611,243	89,220 *(342,204)	358,259	518,241	10
2006		**92,808,060**	**34,758,334 (1,610,629) (5,913,253)**	**120,042,512**	**55,935,444**	**8,540,028 (563,788) (1,900,098)**	**62,011,586**	**58,030,926**	

* Represent transfer from leased assets to owned assets.

Details of Property, plant and equipment sold is given in Note 32.

3.2 These include leasehold land and building thereon mortgaged as security against running finance facility from a bank.

Notes to the Financial Statements for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
3.3 Depreciation for the year has been allocated as follows:			
Cost of sales	19	**5,988,199**	3,330,558
Distribution and marketing expenses	20	**4,333,580**	3,725,477
Administrative expenses	21	**1,027,760**	1,483,993
		11,349,539	8,540,028
3.4 Capital work-in-progress			
Civil works		**3,232,116**	–

4. LONG-TERM LOANS

	Note	2007 Rupees	2006 Rupees
Loans to staff			
Secured – considered good			
Executives	4.1,4.2 & 4.3	–	757,315
Other employees	4.1	**2,869,515**	2,151,538
		2,869,515	2,908,853
Less: Due within one year shown under Current assets			
– Executives	7	–	157,315
– Other employees	7	**806,715**	691,717
		806,715	849,032
		2,062,800	2,059,821

4.1. These are interest free loans to staff principally for purchase of vehicles and house building and are repayable in 5 years by equal monthly installments. In case of vehicle loans, these are secured by pledge of original registration documents of vehicles and demand promissory notes.

4.2. Reconciliation of carrying amount of loans to Executives

	2007	2006
Balance at the beginning of the year	**757,315**	15,295
Disbursements during the year	–	750,000
Repayment during the year	**(757,315)**	(7,980)
Balance at the end of the year	–	757,315

4.3. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.757 million (2006: Rs. 0.0757 million).

5. STOCK-IN-TRADE

	Note	2007	2006
Raw material		**54,978,020**	40,740,979
Packing material	5.1	**17,605,135**	28,760,017
Work in process		**1,817,879**	3,074,890
Finished goods		**28,704,510**	26,580,561
Trading goods		**1,769,628**	6,596,641
		104,875,172	105,753,088

5.1 This includes packaging material held by third parties in the normal course of business amounting to Rs. 1,299,802/- (2006: Rs. 2,113,000/-).

Notes to the Financial Statements for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
6. TRADE DEBTS			
Unsecured			
Considered good	6.1	**36,199,505**	35,667,812
Considered doubtful		**3,917,776**	1,511,788
		40,117,281	37,179,600
Less: Provision for doubtful debts	6.2	**3,917,776**	1,511,788
		36,199,505	35,667,812

6.1 **The amount includes due from the following related parties:**

	2007	2006
Siza Foods (Private) Limited	–	3,934
Siza Services (Private) Limited	**2,563**	5,036
Colgate Palmolive (Pakistan) Limited	–	34,852
Century Paper & Board Mills Limited	–	3,844
Tetley Clover (Private) Limited	–	1,258
	2,563	48,924

6.2 **Movement of provision for doubtful debts**

	2007	2006
Opening balance	**1,511,788**	2,026,478
Adjustment on account of:		
– Provision for doubtful debts	**2,405,988**	–
– Reversal of provision for doubtful debts	–	(514,690)
Closing balance	**3,917,776**	1,511,788

7. LOANS AND ADVANCES - Considered good

	Note	2007	2006
Secured			
Current portion of long-term loans to staff			
– Executives	4	–	157,315
– Other employees	4	**806,715**	691,717
Unsecured		**806,715**	849,032
Advance against import		**19,800**	557,893
Advances to:			
Employees	7.1	**588,888**	94,125
Suppliers	7.2	**2,559,670**	7,631,586
		3,148,558	7,725,711
		3,975,073	9,132,636

7.1 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

7.2 This includes Rs. 0.5 million (2006: Rs. 0.5 million) due from an associated company, Century Insurance Company Limited. The maximum balance due from an associated company at the end of any month during the year was Rs. 0.5 million (2006: Rs. 0.5 million).

Notes to the Financial Statements for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees

8. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2007 Rupees	2006 Rupees
Trade deposits			
Security deposits		**117,700**	137,615
Container deposits		**680,000**	1,470,000
		797,700	1,607,615
Short-term prepayments		**551,892**	154,400
		1,349,592	1,762,015

9. OTHER RECEIVABLES

	Note	2007 Rupees	2006 Rupees
Considered good			
Receivable from related parties	9.1 & 9.3	**55,719**	233,857
Receivable from Collector of Customs	9.2	**236,170**	236,170
Export rebate receivable		**66,081**	66,081
Workers Profit Participation Fund	16.3	**1,889,738**	–
Others		**32,902**	4,668
		2,280,610	540,776

9.1 **The amount due from related parties, comprises:**

	2007 Rupees	2006 Rupees
Tetley Clover (Private) Limited	**55,719**	98,407
Colgate Palmolive (Pakistan) Limited	**–**	135,450
	55,719	233,857

9.2 This represents amount of guarantees encashed by the Collector of Customs, issued on account of disputed amount of duties demanded by the Collectorate on certain imported goods. This amount has been recognized as refundable as the management expects a favourable resolution to the dispute.

9.3 The maximum aggregate amount due from related parites at the end of any month during the year was Rs. 209,516 (2006: Rs.888,704)

10. SHORT TERM INVESTMENTS

	Note	2007 Rupees	2006 Rupees
Held to maturity - at amortised cost	10.1	**25,000,000**	25,000,000
Available for sale - at fair value	10.2	**246,247,135**	–
		271,247,135	25,000,000

10.1 **Held to maturity**

This represents investment in Musharika deposit with a Modaraba having maturity of one month with an option of roll forward and carrying mark-up @ 10% (2006: 10%) per annum.

10.2 **Available for sale**

Number of units		**Name of investee**	**2007**	2006
2007	2006		**Rupees**	Rupees
		Open ended mutual fund		
3,181,575	–	NAFA Cash Fund	**35,230,533**	–
93,598	–	UTP Income Fund	**52,286,311**	–
496,802	–	UBL United Growth and Income Fund	**55,441,630**	–
197,005	–	HBL Income Fund	**20,238,377**	–
328,939	–	KASB Liquid Fund	**36,518,767**	–
243,816	–	MCB Dynamic Cash Fund	**25,205,708**	–
39,010	–	Atlas Income Fund	**21,325,809**	–
			246,247,135	–

Notes to the Financial Statements for the year ended June 30, 2007

11. CASH AND BANK BALANCES

	Note	2007 Rupees	2006 Rupees
Cash at banks			
In current accounts		**16,881,450**	19,642,528
In saving accounts	11.1	**75,324,427**	200,135,245
		92,205,877	219,777,773
Cash in hand		**247,244**	141,081
Cheques in hand		**–**	10,719,509
		92,453,121	230,638,363

11.1 These balances carry profit rates ranging from 2% to 7.5% (2006: 2% to 3.5%) per annum.

11.2 As at the balance sheet date, aggregate unutilized sanctioned limit of running finance facilities was Rs. 215 million (2006: Rs. 185.0 million). These facilities are secured against mortgage of leasehold land, factory building and hypothecation charge over stocks and book debts of the Company and carry markup at rates ranging from 9.5% to 11.5% (2006: 7.5% to 11.5%) per annum. As at year end the balance outstanding under these facilities was Nil (2006: Nil).

11.3 Of the aggregate facility of Rs. 155 million (2006: Rs. 124.0 million) for opening letters of credit and Rs.15 million (2006: Rs. 10.0 million) for guarantees, the amount utilized as at June 30, 2007 was Rs. 54.554 million (2006: Rs. 63.29 million) and Rs. 1.354 million (2006: Rs. 1.354 million) respectively.

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid ordinary shares of Rs. 10/- each

Number of shares 2007	Number of shares 2006		2007 Rupees	2006 Rupees
3,900,000	3,900,000	Issued for cash	**39,000,000**	39,000,000
		Issued as bonus shares		
1,560,000	1,560,000	Opening balance	**15,600,000**	15,600,000
1,092,000	–	Issued during the year	**10,920,000**	–
2,652,000	1,560,000		**26,520,000**	15,600,000
6,552,000	5,460,000		**65,520,000**	54,600,000

12.1 As at year end, related parites held 2,864,588 (2006 : 1,687,140) ordinary shares of Rs. 10/- each.

12.2 As per the terms of Trademark License Agreement, licensor has the option to purchase 33% of the equity of the Company as increased by the issue of shares to the licensor in a manner and on terms and conditions to be ultimately determined and approved by the authorities of the Islamic Republic of Pakistan.

13. RESERVES

	2007 Rupees	2006 Rupees
Revenue reserves		
– General reserves	**158,000,000**	121,000,000
– Unappropriated profit	**87,404,420**	80,709,929
– Unrealized gain on available-for-sale investments	**6,094,720**	–
	251,499,140	201,709,929

Notes to the Financial Statements for the year ended June 30, 2007

14. LONG TERM DEPOSITS

This represents deposits received from distributors, which are interest free and are repayable on termination of distributorship.

	Note	2007 Rupees	2006 Rupees
15. DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences:			
Tax depreciation allowance		**3,566,981**	4,718,798
Leased assets		**–**	69,535
		3,566,981	4,788,333
Deferred tax asset on deductible temporary differences:			
Provision for doubtful debts		**(1,371,222)**	(529,126)
Provision for employee compensated absences		**(352,241)**	(270,318)
Others		**–**	11,111
		(1,723,463)	(788,333)
		1,843,518	4,000,000

16. TRADE AND OTHER PAYABLES

	Note	2007 Rupees	2006 Rupees
Creditors			
Due to related parties	16.1	**2,045,043**	6,063,853
Others		**82,920,248**	53,607,995
		84,965,291	59,671,848
Bills payable		**84,896,280**	90,479,475
Royalty payable	16.2	**28,038,114**	19,813,699
Accrued expenses		**28,193,586**	7,396,957
Amount due to distributors		**1,788,639**	2,651,948
Advance against export		**50,981**	3,281,072
Workers' Profit Participation Fund	16.3	**–**	6,709,772
Workers' Welfare Fund		**2,701,899**	2,085,737
Payable to Gratuity Fund	16.4	**–**	–
Retention money		**56,431**	–
Unclaimed dividend		**492,214**	387,312
Provident Fund Trust		**17,563**	19,187
Others		**959,255**	259,875
		232,160,253	192,756,882

16.1 **The amount due to related parties, comprises of :**

	2007 Rupees	2006 Rupees
Hasanali Karabhai Foundation	**57,706**	43,805
Reliance Chemicals (Private) Limited	**–**	31,129
Colgate Palmolive (Pakistan) Limited	**789,247**	906,305
Cyber Internet Services (Private) limited	**126,393**	554
Tetley Clover (Private) Limited	**8,650**	655,194
Century Insurance Company Limited	**9,364**	17,091
Century Paper & Board Mills Limited	**936,578**	800,775
Kraft Foods UK Limited	**–**	3,609,000
Century Publications (Private) Limited	**12,600**	–
Princeton Travels (Private) Limited	**104,505**	–
	2,045,043	6,063,853

16.2 Royalty is payable to a related party Kraft Foods Holding Inc. – trade mark licensor.

Notes to the Financial Statements for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees

16.3 **Workers' profit participation fund comprises as follows:**

	Note	2007 Rupees	2006 Rupees
Balance as at July 01, 2006		**6,709,772**	5,695,926
Add: Interest credited at prescribed rate	24	**–**	67,776
		6,709,772	5,763,702
Less: Amount paid to fund		**(15,709,772)**	(5,763,702)
		(9,000,000)	–
Add: Current year allocation @ 5%	22	**7,110,262**	6,709,772
Balance as at June 30, 2007		**(1,889,738)**	6,709,772

16.4 **Defined Benefit Plan**

As mentioned in note 2.12(a), the Company operates an approved funded gratuity scheme. The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company.

Annual charge is based on actuarial valuation carried out as at June 30, 2007 using the Projected Unit Credit Method.

Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	10% per annum
Expected rate of increase in salary	10% per annum
Rate of return on plan assets	3% per annum

The amounts recognised in the profit and loss account against defined benefit schemes are as follows:

	2007 Rupees	2006 Rupees
Current service cost	**694,000**	628,000
Interest cost	**649,000**	312,000
Expected return on plan assets	**(67,000)**	(7,000)
Past service cost	**143,000**	143,000
Impact of transferred employee	**179,000**	–
Recognition of actuarial loss	**42,000**	–
Charge for the year	**1,640,000**	1,076,000

The charge for the year has been allocated as follows:

	2007 Rupees	2006 Rupees
Manufacturing expenses	**381,723**	326,394
Distribution and marketing expenses	**913,043**	474,189
Administrative expenses	**345,234**	275,417
	1,640,000	1,076,000

Movements in the net liability recognised in the balance sheet are as follows:

	2007 Rupees	2006 Rupees
Opening balance	**–**	910,000
Charge for the year	**1,640,000**	1,076,000
Contributions / payments during the year	**(1,640,000)**	(1,986,000)
Closing balance	**–**	–

Notes to the Financial Statements for the year ended June 30, 2007

	2007 Rupees	2006 Rupees
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	**9,030,000**	6,492,000
Fair value of plan assets	**(4,350,000)**	(2,217,000)
Deficit	**4,680,000**	4,275,000
Unrecognised past service cost	**(3,105,000)**	(3,248,000)
Unrecognised actuarial loss	**(1,575,000)**	(1,027,000)
Amount recognised in balance sheet	**–**	–
Movement in the present value of defined benefit obligation:		
Present value of defined benefit obligation at July 01, 2006	**6,492,000**	4,462,000
Service cost	**694,000**	628,000
Interest cost	**649,000**	312,000
Impact of transferred employee	**510,000**	–
Actuarial loss	**685,000**	1,090,000
Present value of the defined benefit obligation at June 30, 2007	**9,030,000**	6,492,000
Movement in the fair value of plan assets:		
Fair value of plan assets at July 01, 2006	**2,217,000**	234,000
Expected return	**67,000**	7,000
Contributions	**1,640,000**	1,986,000
Funds received in respect of transferred employee	**332,000**	–
Actuarial gain / (loss)	**94,000**	(10,000)
Fair value of plan assets at June 30, 2007	**4,350,000**	2,217,000

Historical information

As at June 30	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees
Present Value of defined benefit obligation	**9,030,000**	6,492,000	4,462,000	3,688,000
Fair value of plan assets	**(4,350,000)**	(2,217,000)	(234,000)	(227,000)
Deficit	**4,680,000**	4,275,000	4,228,000	3,461,000
Experience adjustment on plan liabilities	**(685,000)**	(1,090,000)	–	73,000
Experience adjustments on plan assets	**94,000**	(10,000)	–	–

	2007	2006
Major categories / composition of plan assets are as follows:		
Cash	100%	100%

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2007 was Rs.0.146 million (2006: Rs.0.012 million)

Notes to the Financial Statements for the year ended June 30, 2007

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

a) **Customs duties**

i) The Company had received a letter from the Assistant Controller of Customs Valuation, Karachi notifying that royalty paid to Kraft Foods Holding Inc. USA on net sales of licensed products manufactured for the period from May 2001 to December 2001 is dutiable as per the provisions of the Customs Act, 1969 and therefore, duties and taxes thereon were short paid by Rs. 2.263 million. The management is contesting this claim and has requested the custom authorities to provide the basis for the levied amount. The management, based on the opinion of its legal advisor and on the merit of the case, expects that the ultimate outcome of the case will be in Company's favour and hence no provision for the same has been made in these financial statements.

ii) The Assistant Collector Customs Karachi had issued a demand cum show cause notice for recovery of Rs. 4.465 million (2006: Rs. 4.465 million) on account of duties on import of foodstuff misapplied under Pakistan Custom Tariff Code. The Company had filed a detailed reply in response to the show cause notice. The management is confident that based on the advise of its legal advisor, any liability in this respect has a remote possibility of crystallization and hence no provision for the same has been made in these financial statements.

b) **Guarantees**

There is a contingent liability in respect of indemnities given to banks for guarantees issued by them in the normal course of business aggregating to Rs.1.354 million (2006: Rs. 1.354 million).

17.2 Commitments

a) Commitments in respect of contracts for capital expenditure amounted to Rs. 2.137 million (2006: Rs. Nil)

b) Commitments in respect of letters of credit amounted to Rs. 7.590 million (2006: Rs. 21.569 million).

c) The future minimum lease payments to which the Company is committed under the operating lease agreements in respect of vehicles and the periods in which they will become due are as follows:

	Upto one year	One to five years	**Total 2007**	Total 2006
	(Rupees)			
Minimum lease payments outstanding	60,315	–	**60,315**	1,136,209

18. GROSS TURNOVER

	2007 Rupees	2006 Rupees
Local manufactured	**1,124,670,841**	841,052,460
Trading	**31,142,104**	98,764,413
	1,155,812,945	939,816,873
Export	**3,230,091**	3,280,391
	1,159,043,036	943,097,264

Notes to the Financial Statements for the year ended June 30, 2007

19. COST OF SALES

	Note	2007 Rupees	2006 Rupees
Manufactured			
Raw material consumed:			
Opening stock		**40,740,979**	38,392,113
Purchases		**335,042,567**	226,082,696
		375,783,546	264,474,809
Less: Closing stock		**54,978,020**	40,740,979
		320,805,526	223,733,830
Less: Export rebate		**78,979**	31,232
		320,726,547	223,702,598
Packing material consumed		**160,991,256**	133,701,431
Stores and spares consumed		**456,107**	938,606
Salaries, wages and other benefits	19.1	**19,981,908**	15,979,752
Power and fuel		**4,569,934**	4,172,159
Vehicle running expenses		**545,267**	545,692
Repairs and maintenance		**6,242,601**	9,335,638
Rent, rates and taxes		**197,274**	187,525
Travelling and conveyance		**519,958**	148,660
Insurance		**2,029,295**	901,750
Postage, telegrams and telephone		**314,328**	344,885
Laboratory expenses		**115,850**	18,053
Cartage		**408,682**	364,976
Information technology expenses		**302,057**	257,974
Printing and stationery		**98,567**	69,295
Depreciation 3.3		**5,988,199**	3,330,558
Other manufacturing expenses		**14,494**	67,236
		202,775,777	170,364,190
		523,502,324	394,066,788
Work in process			
Opening stock		**3,074,890**	2,212,956
Closing stock		**(1,817,879)**	(3,074,890)
		1,257,011	(861,934)
Cost of goods manufactured		**524,759,335**	393,204,854
Finished goods			
Opening stock		**26,580,562**	11,670,382
Closing stock		**(28,704,510)**	(26,580,562)
		(2,123,948)	(14,910,180)
Trading goods			
Opening stock		**6,596,641**	4,471,790
Add: Purchases		**13,742,788**	63,091,064
Less: Closing stock		**(1,769,628)**	(6,596,641)
		18,569,801	60,966,213
		541,205,188	439,260,887

19.1 This amount includes Rs. 1.346 million (2006: Rs. 0.654 million) in respect of staff retirement benefits.

Notes to the Financial Statements for the year ended June 30, 2007

20. DISTRIBUTION AND MARKETING EXPENSES

	Note	2007 Rupees	2006 Rupees
Salaries, allowances and other benefits	20.1	**21,851,963**	12,612,928
Travelling and conveyance		**1,969,006**	1,305,631
Repairs and maintenance		**315,787**	232,784
Vehicles running expenses		**3,688,394**	2,951,952
Advertisement		**113,754,992**	95,087,995
Postage, telegrams and telephone		**1,123,278**	954,164
Rent, rates and taxes		**2,040,415**	2,257,930
Printing and stationery		**304,847**	189,123
Subscription and membership		**188,115**	74,913
Electricity		**204,200**	101,521
Insurance		**1,563,343**	1,174,967
Royalty		**38,595,890**	26,819,392
Provision for doubtful debts / (reversal of provision)		**2,405,988**	(514,690)
Bad debts written-off		**139,517**	–
Freight and octroi		**22,064,463**	17,687,293
Stock handling / godown charges		**1,816,308**	2,727,330
Export expenses		**249,741**	355,674
Depreciation 3.3		**4,333,580**	3,725,477
Information technology expenses		**957,526**	642,759
Other expenses		**50,930**	508,489
		217,618,283	168,895,632

20.1. This amount includes Rs 2.628 million (2006: Rs. 1.594 million) in respect of staff retirement benefits.

21. ADMINISTRATIVE EXPENSES

	Note	2007 Rupees	2006 Rupees
Director's remuneration		**1,500,000**	1,500,000
Salaries, allowances and other benefits	21.1	**7,094,485**	5,904,883
Travelling and conveyance		**455,658**	382,286
Repairs and maintenance		**106,485**	21,554
Vehicles running expenses		**764,749**	582,205
Advertisement		**392,421**	359,875
Postage, telegrams and telephone		**337,588**	236,765
Rent, rates and taxes		**1,161,168**	1,067,865
Printing and stationery		**388,224**	308,657
Subscription and membership		**545,379**	387,031
Legal and professional charges		**390,890**	731,260
Electricity		**420,695**	407,419
Insurance		**325,707**	318,756
Depreciation 3.3		**1,027,760**	1,483,993
Information technology expenses		**2,095,227**	502,340
Others		**81,943**	37,770
		17,088,379	14,232,659

21.1. This amount includes Rs. 0.273 million (2006: Rs. 0.228 million) in respect of staff retirement benefits.

Notes to the Financial Statements for the year ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
22. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	16.3	**7,110,262**	6,709,772
Workers' Welfare Fund		**2,701,899**	2,085,737
Auditors' remuneration	22.1	**258,908**	218,735
		10,071,069	9,014,244
22.1. **Auditors' remuneration**			
Audit fee		**150,000**	125,000
Half yearly review and other certifications		**60,000**	40,000
Out of pocket expenses		**48,908**	53,735
		258,908	218,735
23. OTHER OPERATING INCOME			
Insurance commission		**491,677**	364,852
Profit on deposits		**7,161,992**	8,515,674
Gain on sale of investments		**152,415**	–
Gain on disposal of fixed assets		**396,021**	70,530
Others		**18,000**	2,171
		8,220,105	8,953,227
24. FINANCE COST			
Mark-up / interest on:			
Short-term running finances		**898,079**	757,118
Liabilities against assets subject to finance lease		**23,851**	47,395
Workers' Profit Participation Fund	16.3	**–**	67,776
		921,930	872,289
Bank charges and commission		**578,196**	403,789
Exchange loss-net		**852,258**	300,802
		2,352,384	1,576,880
25. TAXATION			
Current			
For the year		**48,000,000**	41,000,000
For prior year		**(824,933)**	(127,408)
		47,175,067	40,872,592
Deferred		**(2,156,482)**	3,813,937
		45,018,585	44,686,529

Notes to the Financial Statements for the year ended June 30, 2007

	2007 %	2006 %
Tax charge reconciliation		
Applicable tax rate as per Income Tax Ordinance, 2001	**35.00**	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	**2.34**	7.05
Effect of deferred tax charge	**(1.63)**	(3.04)
Effect of change in prior years' tax	**(0.63)**	0.10
Tax effect under presumptive tax regime and others	**(1.08)**	(3.46)
	(1.00)	0.65
Average effective tax rate charged to profit and loss account	**34.00**	35.65

	2007 Rupees	2006 Rupees
26. EARNINGS PER SHARE		
There is no dilution effect on the basic earnings per share of the Company, which is based on:		
Profit after taxation for the year	**87,374,491**	80,649,023
	Numbers of shares	
		(Restated)
Weighted average ordinary shares in issue	**6,552,000**	6,552,000
Earnings per share - basic and diluted	**Rs. 13.34**	Rs. 12.31

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount, charged in the financial statements for the year are as follows:

	Chief Executive		Executives		Total	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees)					
Remuneration	**1,111,200**	1,111,200	**4,689,478**	2,530,469	**5,800,678**	3,641,669
House rent	**388,800**	388,800	**1,679,652**	834,792	**2,068,452**	1,223,592
Bonus	–	–	**881,755**	701,862	**881,755**	701,862
Retirement benefits	–	–	**357,391**	229,259	**357,391**	229,259
Motor vehicle expenses	–	–	**529,248**	403,460	**529,248**	403,460
Utilities	–	–	**257,087**	253,050	**257,087**	253,050
Others	–	–	**912,796**	344,016	**912,796**	344,016
	1,500,000	1,500,000	**9,307,407**	5,296,908	**10,807,407**	6,796,908
Number of persons	**1**	1	**4**	3	**5**	4

Directors have waived their meeting fees for the year.

The Chief Executive and certain Executives are provided with free use of Company maintained cars.

28. RELATED PARTIES DISCLOSURES

The related parties include group companies, trade mark licensor, significant suppliers, staff retirement funds,companies where directors also hold directorship, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 27, are as follows:

Notes to the Financial Statements for the year ended June 30, 2007

Relationship	Nature of transactions	2007 Rupees	2006 Rupees
Group companies	Sale of goods and services	**1,410,785**	2,002,376
	Purchase of goods and services	**30,929,597**	23,713,323
	Rent, utilities and allied services	**2,071,907**	1,891,865
	Insurance premium	**4,597,649**	3,386,224
	Insurance commission	**491,677**	364,852
	Dividend paid	**10,122,840**	10,966,410
	Issue of bonus shares (No. of shares)	**337,428**	–
Licensor of product in respect of which the Company has exclusive trademark rights	Royalty on sale of licensed products	**35,814,481**	26,819,392
Retirement benefit plans	Contribution to staff retirement benefit plans	**2,904,500**	2,476,992
Other related parties	Purchase of goods and services	**94,725,337**	103,134,038

The Company enters into transaction with related parties for the sale of its products and purchase of raw materials. services, rent and allied expenses are charged between related parties on the basis of mutually agreed terms.

The related party status of outstanding balances as at June 30, 2007 is included in relevant notes to the accounts.

29. CAPACITY AND PRODUCTION

	2007		2006	
	Capacity	**Production**	**Capacity**	**Production**
	(Kilograms)			
Food products	**4,092,000**	**6,456,235**	4,092,000	4,897,261
Plastic products	**27,000**	**38,901**	27,000	46,763
Number of shifts	**Single**		Single	

Capacity is based on single shift; however, demand for food products is seasonal. A second shift was operated during the year to meet increased demand.

30. CASH GENERATED FROM OPERATIONS

	Note	2007 Rupees	2006 Rupees
Profit before taxation		**132,393,076**	125,335,552
Adjustments for :			
Depreciation		**11,349,539**	8,540,028
Gain on disposal of fixed assets		**(396,021)**	(70,530)
Gain on redemption of available for sale investments		**(152,415)**	–
Financial charges		**2,352,384**	1,889,802
		13,153,487	10,359,300
Working capital changes	30.1	**47,972,260**	33,529,869
		193,518,823	169,224,721

	Note	2007 Rupees	2006 Rupees
30.1 Working capital changes			
(Increase)/decrease in operating assets			
Stores		**45,049**	(89,019)
Stock-in-trade		**877,916**	(33,353,535)
Trade debtors		**(531,693)**	(20,658,304)
Loans and advances		**5,157,563**	(4,843,044)
Trade deposits and short-term prepayments		**412,423**	1,322,861
Other receivables		**(1,739,834)**	460,687
Profit accrued		**(212,859)**	328,026
		4,008,565	(56,832,328)
Increase/(decrease) in current liabilities			
Trade and other payables		**39,298,469**	92,331,965
Sales tax payable		**4,665,226**	(1,969,768)
		43,963,695	90,362,197
		47,972,260	33,529,869

31. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

31.1. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and financial liabilities can be evaluated from following schedule.

	Effective yield/ Markup rate %	Interest / markup bearing			Non-interest / markup bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
					(Rupees)			
Financial Assets								
Loans to staff			-	-	806,715	2,062,800	2,869,515	2,869,515
Deposits		-	-	-	797,700	182,400	980,100	980,100
Trade debts (Net)		-	-	-	36,199,505	-	36,199,505	36,199,505
Interest accrued		-	-	-	308,753	-	308,753	308,753
Other receivables		-	-	-	2,280,610	-	2,280,610	2,280,610
Short term investment	10%	25,000,000	-	25,000,000	246,247,135	-	246,247,135	271,247,135
Cash and bank balances	2%-7.5%	75,324,427	-	75,324,427	17,128,694	-	17,128,694	92,453,121
2007		**100,324,427**	**-**	**100,324,427**	**303,769,112**	**2,245,200**	**306,014,312**	**406,338,739**
2006		244,873,667	-	244,873,667	49,223,574	2,503,996	51,727,570	296,601,237
Financial liabilities								
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-
Long-term deposits		-	-	-	-	2,207,000	2,207,000	2,207,000
Trade and other payables		-	-	-	230,320,633	-	230,320,633	230,320,633
Markup accrued		-	-	-	181,984	-	181,984	181,984
2007		**-**	**-**	**-**	**230,502,617**	**2,207,000**	**232,709,617**	**232,709,617**
2006		177,760	141,810	319,570	180,660,936	2,132,000	182,792,936	183,112,506
Net financial assets / (liabilities)								
2007		**100,324,427**	**-**	**100,324,427**	**73,266,495**	**38,200**	**73,304,695**	**173,629,122**
2006		244,695,907	(141,810)	244,554,097	(131,437,362)	371,996	(131,065,366)	113,488,731

Notes to the Financial Statements for the year ended June 30, 2007

31.2 **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

31 .3 **Credit risk and concentration of credit risk**

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, loans and advances and long-term deposits. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

31.4 **Currency risk**

Foreign currency risk arises mainly where receivables and payable exist due to transactions in foreign currencies. In appropriate cases, the management takes out forward contracts to mitigate the risks.

The Company's exposure denominated in foreign currency is given below:

Accounting year end	**Bills payable**	**Commitments**	**Cash and bank balances**
		(Rupees)	
June 30, 2007	**84,896,280**	**7,590,000**	**61,771**
June 30, 2006	90,479,475	21,569,000	14,565

31.5 **Fair value of financial instruments**

The carrying value of all the financial assets and financial liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting dates.

Notes to the Financial Statements for the year ended June 30, 2007

32. DETAILS OF PROPERTY, PLANT AND EQUIPMENT SOLD

The following assets were disposed-off during the year:

	Original cost	Accumulated depreciation	Book value	Disposal proceeds	Mode of disposal	Particulars of buyers
	(Rupees)					
Vehicles						
Suzuki Baleno	789,000	312,313	476,687	585,000	Negotiation	Mr. Shaikh Muhammad
Suzuki Alto	469,000	355,211	113,789	300,000	Negotiation	Ms. Rubina Merchant
Honda Motor Cycle	12,000	8,083	3,917	13,500	Negotiation	Mir Zaman Khan
Suzuki Mehran	186,380	100,794	85,586	177,500	Negotiation	Mr. Amjad Sohail
Total disposals	**1,456,380**	**776,401**	**679,979**	**1,076,000**		

33. DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company authorized these financial statements for issue on August 17, 2007.

34. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2007, the Board of Directors have proposed a final dividend of Rs. 4.50 per share, amounting to a total dividend of Rs. 29.484 million (2006: Rs. 6.00 per share, amounting to a total dividend of Rs. 32.760 million), bonus issue of 1.310 million shares (2006: 1.092 million shares) at the rate of 1 share for every 5 shares held (2006: 1 for every 5 shares held) in their meeting held on August 17, 2007 for approval of the members at the Annual General Meeting. In addition, the Board has also approved appropriation to general reserve of Rs. 44 million (2006: Rs. 37 million).

35. GENERAL

Amounts have been rounded off to the nearest rupee unless otherwise stated.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Pattern of Holding of Shares held by the shareholders as at June 30, 2007

INCORPORATION NUMBER K-198/9686 OF 1986

No. of Shareholders	Shareholdings From	To		Total shares held
298	1	100	Shares	5,268
134	101	500	Shares	32,985
78	501	1,000	Shares	61,090
49	1,001	5,000	Shares	104,465
1	5,001	10,000	Shares	8,400
1	10,001	15,000	Shares	12,480
1	30,001	35,000	Shares	33,424
1	40,001	45,000	Shares	44,520
1	45,001	50,000	Shares	46,200
1	80,001	85,000	Shares	82,200
1	100,001	105,000	Shares	100,180
1	185,001	190,000	Shares	186,720
1	500,001	505,000	Shares	504,000
1	525,001	530,000	Shares	529,104
1	620,001	625,000	Shares	624,492
1	875,001	880,000	Shares	878,632
1	1,280,001	1,285,000	Shares	1,281,840
1	2,015,001	2,020,000	Shares	2,016,000
573				6,552,000

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their spouse and minor children	191,828	2.93%
Associated Companies, undertakings and related parties	2,864,588	43.72%
NIT and ICP	NIL	–
Banks, Development Financial Institutions, Non Banking Financial Institutions	388	0.01%
Insurance Companies	46,200	0.71%
Modaraba and Mutual Funds	12,480	0.19%
Shareholders holding 10% and above	3,297,840	50.33%
General Public		
(a) Local	1,458,316	22.26%
(b) Foreign	2,016,000	30.77%

Note: Some of the shareholders are reflected in more than one category.

Zulfiqar Ali Lakhani
Chief Executive

Details of Pattern of Shareholding as per requirement of Code of Corporate Governance

CATEGORIES OF SHAREHOLDERS			NO. OF SHARES HELD
a)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		
1.	M/s. Siza (Private) Limited		1,281,840
2.	M/s. Siza Services (Pvt) Limited		878,632
3.	M/s. Siza Commodities (Pvt) Limited		33,424
4.	M/s. Premier Fashions (Pvt) Limited		624,492
5.	M/s. Century Insurance Company Limited		46,200
			2,864,588
b)	**NIT AND ICP**		NIL
c)	**DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN**		
1.	Mr. Iqbal Ali Lakhani	Director	1,184
2.	Mr. Zulfiqar Ali Lakhani	Director/CEO	500
3.	Mr. Amin Mohammed Lakhani	Director	186,720
4.	Mr. Tasleemuddin Ahmed Batlay	Director	840
5.	Mr. A. Aziz Ebrahim	Director	840
6.	Mr. Shahid Ahmed Khan	Director	500
7.	Mr. M.A. Qadir	Director	840
8.	Mrs. Ronak Iqbal Lakhani W/o. Mr. Iqbal Ali Lakhani		160
9.	Mrs. Fatima Lakhani W/o. Mr. Zulfiqar Ali Lakhani		100
10.	Mrs. Saira Amin Lakhani W/o. Mr. Amin Mohammed Lakhani		144
			191,828
d)	**EXECUTIVES**		8,406
e)	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**		NIL
f)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS**		
1.	Pakistan Industrial Credit & Investment Corporation		48
2.	Industrial Development Bank of Pakistan (ICP unit)		340
3.	Century Insurance Company Limited		46,200
4.	CDC- Trustee First Dawood Mutual Fund		12,480
			59,068
g)	**SHAREHOLDERS HOLDING 10% OR MORE**		
1.	M/s. Siza (Pvt) Limited		1,281,840
2.	Mrs. Yasmin A. Fazalbhoy		2,016,000
			3,297,840

Form of Proxy

I/We ____

of ____

a member of **CLOVER PAKISTAN LIMITED** hereby appoint ____________________

of ____________________________________ or failing him

____ of

____

who is/are also member/s of Clover Pakistan Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the **Annual General Meeting** of the Shareholders of the Company to be held on the **27th day of September 2007** and at any adjournment thereof.

Signed this ______________ day of ______________ 2007.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Shares Held

Signature over Revenue Stamp

Witness 1

Signature ______________

Name ______________

CNIC No. ______________

Address ______________

____

____

Witness 2

Signature ______________

Name ______________

CNIC No. ______________

Address ______________

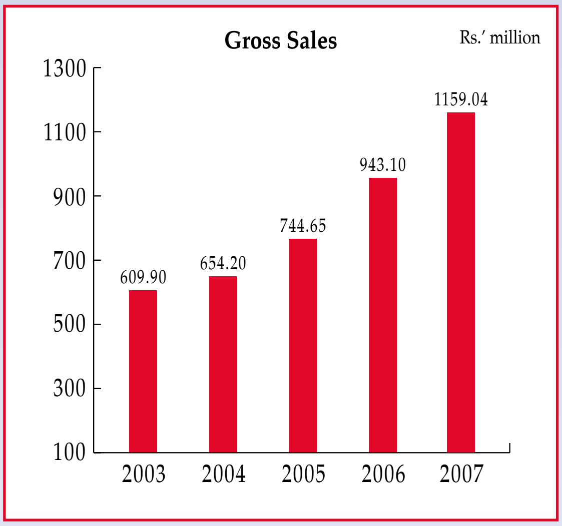
____

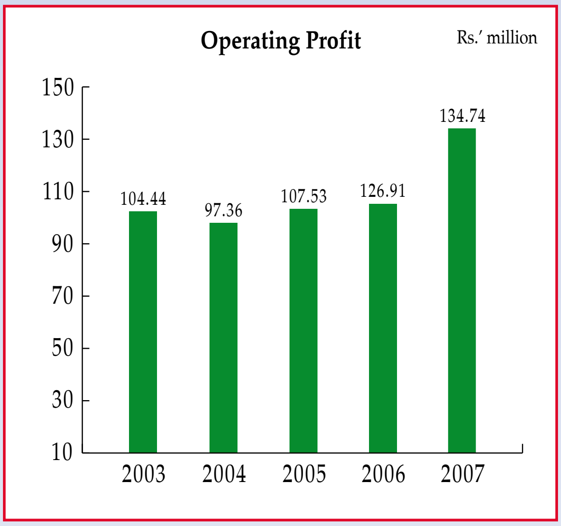
____

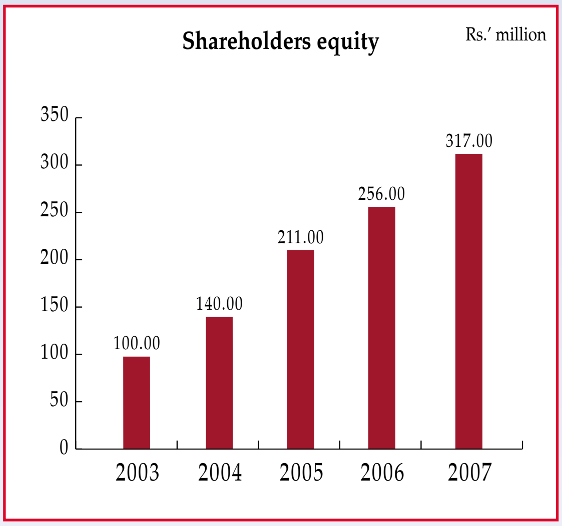
Notes : -

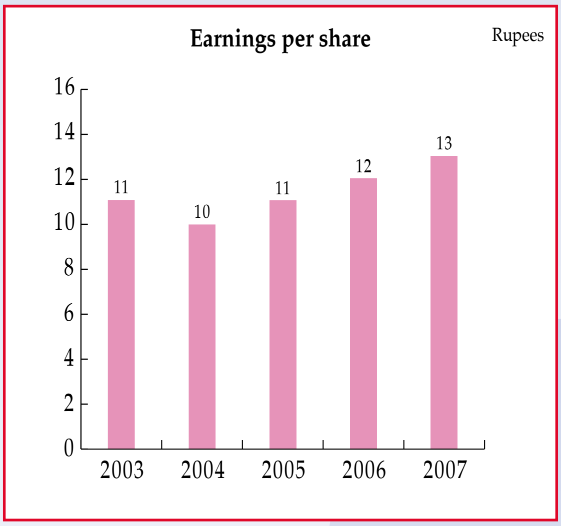
1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The Instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

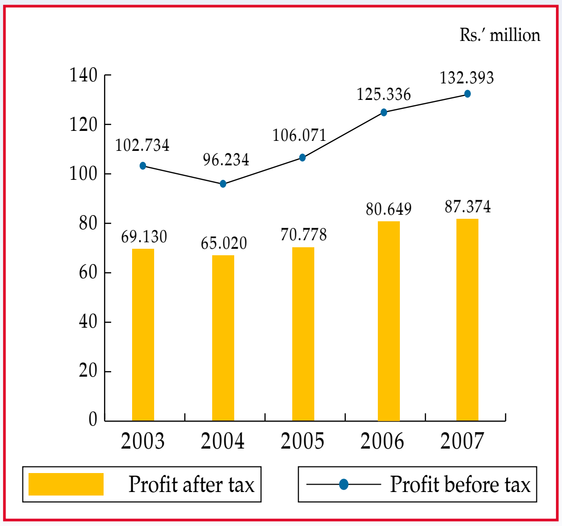
Five Years at a Glance

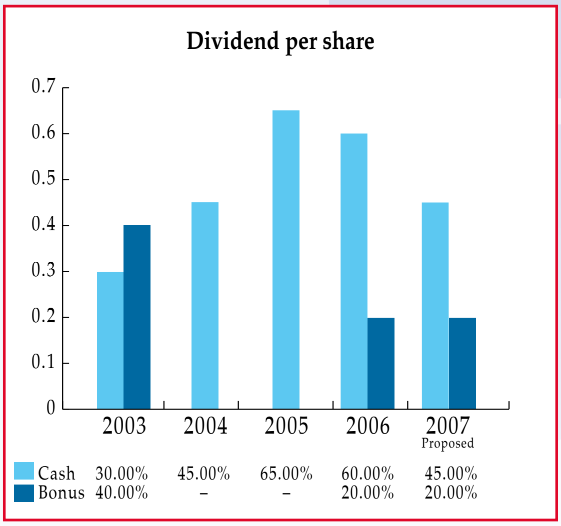












Notice of Meeting

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of **CLOVER PAKISTAN LIMITED** will be held on Thursday, September 27, 2007 at 10:00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2007 together with the Directors' and Auditors' Reports thereon.

2. To declare a final dividend in cash @ 45% i.e. Rs.4.50 per share of Rs.10/- each and by way of issue of fully paid bonus shares @ 20% i.e. in the proportion of 1 share for every 5 shares held by the members as recommended by the Board of Directors.

3. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider, subject to declaration of the final dividend by way of issue of bonus shares as above, to capitalize a sum of Rs.13,104,000 by way of issue of 1,310,400 fully paid bonus shares of Rs.10/- each and if thought fit to pass an ordinary resolution in the matter.

A statement under section 160 of the Companies Ordinance, 1984 in the above matter including draft of the resolution to be passed pertaining to item 4 is annexed.

By Order of the Board

MANSOOR AHMED
COMPANY SECRETARY

Karachi: August 23, 2007

Notice of Meeting

NOTES:

1. The share transfer books of the Company will remain closed from September 14, 2007 to September 27, 2007 (both days inclusive). Transfers received in order at the Company's registered office situated at Lakson Square, Building No 2, Sarwar Shaheed Road, Karachi upto September 13, 2007 will be considered in time to be eligible for payment of the dividend and issue of bonus shares to the transferees.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account/sub-account number alongwith original Computerised National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. Forms of proxy to be valid must be received by the Company at its registered office not later than 48 hours before the time of the meeting.

5. Members are requested to notify the Company promptly of any change in their addresses.

6. Member who have not yet submitted photocopy of their Computerised National Identity Card to the Company are requested to send the same at the earliest.

7. A form of proxy is enclosed herewith.

Notice of Meeting

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

PERTAINING TO ITEM NO.4

The Board of Directors recommended to the members of the Company to declare final dividend by way of issue of fully paid bonus shares @ 20% and thereby capitalize a sum of Rs.13,104,000 out of the profit for the year ended June 30, 2007, the resolution as under be considered to be passed by the members as an ordinary resolution:

"RESOLVED THAT:

i) a sum of Rs. 13,104,000/- out of the profit for the year ended June 30, 2007 be capitalized and applied in making payment in full of 1,310,400 ordinary shares of Rs.10/- each and that the said shares be allotted as fully paid up bonus shares to those members of the Company whose names appear in the register of members on September 27, 2007 @ 20% i.e. in the proportion of one share for every five existing shares and that such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company, however, they will not qualify for the final cash dividend declared for the year ended June 30, 2007;

ii) in the event of any member holding less than five shares or a number of shares which is not an exact multiple of five, the fractional entitlements of shares of such members shall be consolidated into whole new shares and the Directors of the Company be and are hereby authorised to arrange sale of the shares constituted thereby in such manner as they may think fit and to pay the proceeds of the sale to such of the members according to their entitlement;

iii) for the purpose of giving effect to the above, the Directors be and are hereby authorised to take all necessary steps in the matter and to settle any question or difficulties that may arise in regard to the distribution to the said new shares as they think fit."

The Directors are interested in this business to the extent of their entitlement of bonus shares as shareholders.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Progressive Plaza
Beaumont Road
P.O. Box 15541
Karachi 75530
Pakistan

Phone : (92-21) 565-0007-11
Fax : (92-21) 568 1965
E-mail : frsh.khi@pk.ey.com
Office at : Lahore & Islamabad

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable to the Company for the year ended **June 30, 2007** prepared by the Board of Directors of **Clover Pakistan Limited** to comply with the listing Regulation No. 34 of the Karachi Stock Exchange (Guarantee) Limited and chapter XIII of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended **June 30, 2007.**

Ford Rhodes Sidat Hyder & Co.

KARACHI: AUGUST 17, 2007 **CHARTERED ACCOUNTANTS**

A Member of Ernst & Young International

Statement of Compliance with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board comprises seven Directors, including CEO. The Company encourages representation of independent non-executive directors and director representing minority interests on its Board. At present the Board of Directors includes six non-executive directors, one of whom is the chairman.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that Stock Exchange.

4. During the year one casual vacancy occured in the Board of Directors which was filled up within 30 days.

5. The Company has prepared a ‘Statement of Ethics and Business Practices’, which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities, and briefed them regarding amendments in the Companies Ordinance/Corporate Laws.

10. The Chief Financial Officer was appointed prior to the implementation of the Code of Corporate Governance. The remuneration and terms & conditions in case of future appointments on this position will be approved by the Board. During the year Mr. Mansoor Ahmed has been assigned the responsibilities of Company Secretary of Clover Pakistan Limited in addition to his responsibilities in other Group Companies, in place of the outgoing Company Secretary. Internal Audit function of the Company has been outsourced with the approval of the Board.

11. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. Presently it comprises of three members, all of them are non-executive directors including the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

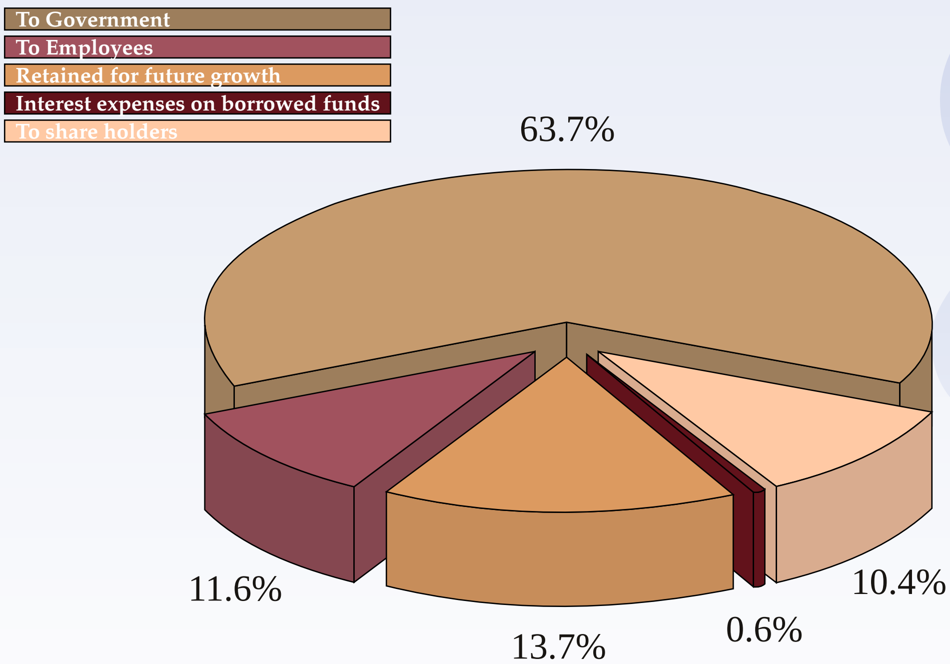
20. We confirm that all other material principles contained in the Code have been complied with.

IQBAL ALI LAKHANI
Chairman

Karachi: August 17, 2007

Statement of Value Added

	June 30, 2007 (Rupees)		June 30, 2006 (Rupees)	
Wealth Generated				
Total revenue	**1,089,750,452**		897,798,526	
Bought-in-material & services	**(678,932,863)**		(560,899,590)	
	410,817,588	100%	336,898,936	100%
Wealth Distributed				
To Employees	**47,855,120**	11.65%	33,927,959	10.06%
To Government				
Excise duty, income tax, sales tax, to Government	**261,886,055**	63.75%	212,205,046	62.93%
To providers of Captial				
Dividend and bonus shares to shareholders	**42,588,000**	10.37%	43,680,000	12.95%
Mark-up/interest Expenses on				
Interest expenses on borrowed funds	**2,352,384**	0.57%	1,576,880	0.47%
Retained for reinvestment & future growth				
Depreciation & retained profit Retained for future growth	**56,136,030**	13.66%	45,509,051	13.50%
	410,817,589	100%	336,898,936	100%



Clover

Yearwise Financial Highlights

	2007	2006	2005	2004	2003	2002
	Rupees in thousands					
BALANCE SHEET						
Fixed assets - Property, plant and equipment	**59,498**	58,031	39,487	48,510	40,874	26,306
Long term loans & security deposits	**2,245**	2,504	1,762	1,943	1,840	1,552
Current assets	**512,956**	408,902	294,053	240,545	192,763	111,714
Current liabilities	**253,629**	206,853	121,278	145,756	132,480	94,115
	259,327	202,049	172,775	94,789	60,283	17,599
	321,070	262,584	214,024	145,242	102,997	45,457
Equity	**317,019**	256,310	211,151	140,373	99,924	42,494
Long term loans and deposits	**2,207**	2,132	2,367	1,664	1,262	892
Deferred liability	**1,844**	4,000	186	2,500	-	-
Liabilities against assets subject to finance lease	**-**	142	320	705	1,811	2,071
	321,070	262,584	214,024	145,242	102,997	45,457
PROFIT AND LOSS ACCOUNTS						
Gross turnover	**1,159,043**	943,097	744,675	654,200	609,899	446,184
Less: Sales tax	**169,022**	139,482	97,265	89,366	82,155	59,134
Trade discount	**77,513**	54,252	62,004	48,701	36,941	28,372
	246,535	193,734	159,269	138,067	119,096	87,506
Net turnover	**912,508**	749,363	585,406	516,133	490,803	358,678
Cost of sales	**541,205**	439,261	334,840	285,094	279,976	229,979
Gross profit	**371,303**	310,102	250,566	31,039	210,827	128,699
Distribution and marketing expenses	**(217,619)**	(168,896)	(124,889)	(112,379)	(90,666)	(65,474)
Administrative expenses	**(17,088)**	(14,233)	(14,294)	(15,434)	(9,613)	(5,861)
Other operating expenses	**(10,071)**	(9,014)	(7,959)	(7,247)	(7,360)	(3,189)
Other operaing income	**8,220**	8,953	4,103	1,380	1,252	95
Operating Profit	**134,745**	126,912	107,527	97,359	104,440	54,270
Financial charges	**(2,352)**	(1,577)	(1,456)	(1,125)	(1,706)	(8,312)
Profit before taxation	**132,393**	125,335	106,071	96,234	102,734	45,958
Taxation	**(45,019)**	(44,686)	(35,293)	(31,214)	(33,604)	(16,504)
Profit after taxation	**87,374**	80,649	70,778	65,020	69,130	29,454
Earnings per share - Rupees	**13.34**	14.77	12.96	11.91	12.66	7.55
Cash dividend	**45%**	60%	65%	45%	30%	32.50%
Bonus shares	**20%**	20%	-	-	40%	-